

MMA Testimony

House Economic Development and Small Business Committee

HB 5099 (Hood), HB 5100 (Martus), HB 5101 (Rogers), HB 5102 (Puri)

Mr. Chairman and Committee members, thank you for the opportunity to speak today on the R&D tax credit package. I am Mike Johnston Executive Vice President of Government Affairs and Workforce Development for MMA. I am here on behalf of MMA, but my comments reflect our shared with other business organizations. I don't normally speak for other organizations, but with agreement from them, I am doing so today. The committee has likely received separate letters from each of the organization this morning.

First let me say, we collectively are very interested in establishing an R&D Tax Credit in Michigan. We are one of just 14 states without a R&D tax credit built in our tax code. We very much appreciate you and the sponsors bringing forth bills that clearly communicate this state recognizes and appreciates the value of innovation as a driver for future economic growth. Whether companies are creating the next life-saving drug, the next battery technology, or the next telescope to explore the universe, innovation is the key to future economic success.

However, I am here to say we, collectively, prefer taking a different approach that better integrates the R&D tax credit into the Michigan business climate. We prefer a more broad based approach, implemented by Treasury making the credit automatic and available to all companies currently in Michigan as well as those newly considering investing in Michigan. R&D can be done anywhere. When companies are making decisions about locations for long-term investments like R&D investments, they need predictability and certainty that tax credits supporting that effort will remain in place. Wondering whether or not a credit will be granted in the future creates greater uncertainty when compared to most other states.

Building the R&D tax credit into the tax code brings several advantages from a business perspective. First, it is predictable and reliable. Second, its administratively simple and efficient in that it is automatically implemented through annual tax filings to Treasury, especially if the definitions reflect federal definitions. Thirdly, the credit is available to all businesses large and small, regardless of their field of endeavor. And lastly, a broad based approach helps define the business climate in Michigan as encouraging innovation.

Let me address an obvious question. We understand through conversations with the administration and legislative leaders, that, at this point the budget for an R&D tax credit is in the neighborhood of \$100 million. We recognize and agree in the context of a large industrial economy, \$100 million doesn't go very far in terms of value for any individual company. However, there is broad agreement among my members and the business community that integrating the tax credit into the tax code is the best approach for Michigan's business climate.

In closing, Mr. Chair, again we truly appreciation you and the sponsors bringing forth an R&D tax credit to improve Michigan's economy, we simply prefer a more automatic and broad based approach.

I am happy to take any questions.

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